

# sustain

# ability



PRUPIM Sustainability Report 2008 **Executive Summary**

Many of the images in this report are from Green Park, a major PRUPIM development. One of the largest office parks in Europe, Green Park is set in 180 landscaped acres just off the M4, south of Reading.

Throughout Green Park we have implemented a wide-ranging sustainability agenda, from the reduction of waste and emissions, to the promotion of biodiversity, recycling, a green travel plan, and clean energy generation through the iconic 2.3MW Green Park wind turbine.

Green Park represents a physical manifestation of our strong commitment to sustainability and our ability to deliver leading-edge solutions towards creating a sustainable and attractive place to work.

## CONTENTS

Managing Director's Statement	3
About PRUPIM	4
Highlights and Challenges	6
Our Impacts	8
Our Stakeholders	10
Our Sustainability Strategy and Governance	12
Responsible Business Practices	14
Sustainable Fund & Asset Management	16
Sustainable Development & Refurbishment	18
Sustainable Property Management	20
Our Future Targets	22
Advisor's Statement	24
Contact Us	25





# MANAGING DIRECTOR'S STATEMENT

PRUPIM's sixth annual Sustainability Report details our sustainability performance for 2008. Our commitment to sustainability and to accurate and informative reporting of progress remains strong and constant despite the challenges of the economic climate.

This is demonstrated by the progress that we have made during 2008. For example, in October we convened a panel of external stakeholders to feed back on our Sustainability Strategy and reporting. We also commissioned a study to identify the most material sustainability impacts associated with our business.

In response to the feedback provided by our stakeholder panel and this impact analysis, we significantly revised our Sustainability Strategy and approach to reporting, which is reflected in this document. I believe that these developments enhance our reporting, and will help our investors and other stakeholders understand our approach to managing sustainability risks and opportunities within the wider context of our core business activities.

In our strategy we have defined a sustainability vision that clearly articulates the nature and extent of our commitment to all our stakeholders. Our vision as a leading sustainable real estate manager is to:

- Deliver superior investment performance through integrating sustainability into our core business culture, activities and decision making
- Be a responsible business, addressing our own impacts and our stakeholders' expectations
- Influence the property sector where we can through innovation and thought-leadership.

Our new strategy focuses on our core activities and is supported by business-wide commitments to sustainability, ambitious targets and key performance indicators to monitor and manage our key sustainability impacts. We are confident that this comprehensive approach will enable us to fulfil our vision.

In addition to refocusing our Sustainability Strategy, 2008 saw some notable achievements which are detailed in this report. We are particularly proud of:

**Climate Change:** In absolute terms we reduced CO<sub>2</sub> emissions arising from energy consumption across our entire portfolio by 15.4% in 2008. Furthermore, 74% of the energy consumed by our entire portfolio was derived from Good Quality Combined Heat and Power sources, which resulted in the aversion of 56,000 tonnes of CO<sub>2</sub>.

**Waste:** On a like-for-like property basis we significantly increased the proportion of waste recycled by 6% in our significant offices and by 5% in our shopping centres (compared to 2007 figures).

**Occupiers:** In 2008 we put the groundwork in place to become the first major landlord to offer retailers the opportunity to pay rents monthly on existing leases without any financial penalties, demonstrating our support to occupiers during challenging market conditions.

**Health and Safety:** Our RIDDOR Accident Rate at shopping centres fell to 1 in 4.4 million visitors (2007: 1 in 2.9 million visitors). Overall, this represents a 42% reduction in the number of RIDDOR incidents at our shopping centres.

As we navigate through the challenging business environment in 2009 it will be increasingly important to identify and implement cost-effective sustainability initiatives that deliver savings for our occupiers and investment returns for our investor clients. This report illustrates some of the practical initiatives we have developed to exploit these opportunities. We believe that sustainability will remain important to the property sector and become an increasingly critical part of the investment decision making process, not least



for institutional pension fund managers and trustees. Effective management of these issues can differentiate our business – and buildings – from our competitors. For this reason we have established a number of clear targets and we look forward to reporting on our performance against these in our next report.

More details on our sustainability performance, together with case studies, can be found on our website: [www.prupim.com](http://www.prupim.com). I hope you enjoy reading this report and as always, your comments and feedback are welcome.

Contact details for the Sustainability Team can be found on page 25, or you can email them at [sustainability@prupim.com](mailto:sustainability@prupim.com).

A handwritten signature in black ink, appearing to read 'Martin Moore', written over a horizontal line.

**Martin Moore**  
Managing Director, PRUPIM

# ABOUT PRUPIM



PRUPIM, a top 20 global real estate investment manager, is part of the M&G Group of Companies – the asset management arm of Prudential plc in the UK and Europe. Managing over £15 billion worth of assets, we are one of the largest real estate investment managers in the UK and Europe.

We are unique among our UK competitors in our ability to offer real estate investors fund management, asset management, property management and development services, either individually or as an integrated package. We believe that closely aligning these core disciplines places us in a strong position to deliver superior results to our clients.

The following table provides an overview of our business activities. Please turn to the relevant page of the report to find out how we integrate sustainability into each of these activities.

FUND MANAGEMENT (PAGE 16)	KEY FACTS
<p>We provide investment management services to UK and European institutional and retail investors on both a segregated and pooled fund basis.</p> <p>Our investment process has been developed over 100 years of investing in real estate markets. This vast experience, backed by leading research, has delivered an enviable track record.</p>	<ul style="list-style-type: none"><li>■ With over £15 billion of assets under management, PRUPIM is one of the largest real estate investment managers in the UK and Europe</li><li>■ Managing real estate investment portfolios ranging in size from £2.7 million to over £6 billion</li><li>■ Managers of one of the largest property funds in the UK</li><li>■ Investments in over 800 properties</li><li>■ Approximately 165 property transactions worth £1.86 billion executed in 2008</li><li>■ In 1987, PRUPIM was among the first real estate investment managers to establish a dedicated research team.</li></ul>

**ASSET MANAGEMENT (PAGE 16)**

We offer comprehensive asset management services for offices, industrial and retail properties including major shopping centres. Our objective is to deliver enhanced investment returns to our clients through careful planning, asset tracking and strategy development.

We work closely with property investors and investment managers to develop plans for each asset which identify lease restructuring, refurbishment and redevelopment opportunities which we implement through our experienced asset managers and development specialists.

**KEY FACTS**

- PRUPIM's team of real estate investment experts includes 89 chartered surveyors who operate to the highest professional standards and focus on actively identifying and exploiting opportunities to enhance asset value and client fund performance
- The real estate assets that we manage consist of 374 retail and leisure properties, 215 offices, 150 industrial assets and 71 other properties.

**PROPERTY MANAGEMENT (PAGE 20)**

We offer real estate investors a comprehensive property management service on either an individual property basis or for entire multi-sector portfolios.

We work in partnership with our clients and use our experience, expertise and market position to offer tailored and additional products and services which exceed expectations.

We also seek to develop proactive and constructive relationships with our property occupiers to help us understand their business and property requirements with a view to enhancing overall investment returns.

**KEY FACTS**

- PRUPIM has approximately 4,500 property occupiers across the UK, Europe, North America and Asia
- Over 4.2 million m<sup>2</sup> of Gross Lettable Area under management in the UK
- We manage 11 shopping centres, worth approximately £1.5 billion, which welcomed over 110 million visitors in 2008. These include:
  - Manchester Arndale
  - Cwmbran Shopping
  - The Mall at Cribbs Causeway, Bristol
  - Galleries Shopping Centre, Washington
  - The Grafton, Cambridge.

**DEVELOPMENT (PAGE 18)**

PRUPIM has one of the most active and experienced property development teams in the UK, with significant expertise across all sectors. We have an outstanding track record for identifying and exploiting real estate development opportunities and successfully delivering projects with the aim of significantly enhancing the return potential for our clients.

Our development team operates across all of the major property sectors throughout the UK, including commercial, retail, industrial, hotel and residential, and is increasingly active in other niche markets. We also provide our clients with a wide range of development services covering land investments, acquisition, site assembly, appraisal, design, planning, marketing, letting and full project management.

**KEY FACTS**

- 11 development projects with a total construction value of £117 million commenced in 2008
- 4 development projects with a total construction cost of £145 million completed in 2008
- 32 projects with construction value of approximately £500 million in the development pipeline
- Approximately 46,500 m<sup>2</sup> currently under development
- In-house team of Development Managers and Project Managers
- Key development projects include:
  - thecentre:mk, Milton Keynes
  - Green Park, Reading
  - Southside, Reading.

**REPORT SCOPE**

This report covers the period 1 January to 31 December 2008 and builds upon our Interim Sustainability Report which covered the same period in 2007.

The information contained in this report relates to our UK operations, where the vast majority of our business activities are undertaken. All data is correct as at 31 December 2008 and all statistics are from PRUPIM internal sources unless otherwise indicated.

Upstream Sustainability Services (a business unit of Jones Lang LaSalle Ltd and referred to throughout this report as Upstream) has supported PRUPIM in the planning and drafting of core content for this Sustainability Report. The integrity of the data and the methods used to calculate the performance figures in this report are explained in detail in the Performance Reviews for Responsible Business Practices, Sustainable Property Management, Sustainable Fund & Asset Management and Sustainable Development & Refurbishment.

These reviews, together with additional case studies, are available to view and download on our website.



See more at  
[www.prupim.com/about/sustainability](http://www.prupim.com/about/sustainability)

# HIGHLIGHTS AND CHALLENGES



## HIGHLIGHTS

In 2008 we fully or partially achieved 80% of the targets that we planned to complete by the end of the year (see chart, right). We also embarked on a number of new initiatives and made significant improvements in some aspects of our performance. We are particularly proud of the following achievements which occurred during 2008:

**Sustainability Strategy:** We reviewed our Sustainability Strategy to ensure that it was aligned with the most significant impacts associated with our business and the expectations of our stakeholders. In 2009 we launched the new strategy, based around a sustainability vision and commitments aligned with our core business activities (see page 12).

**Health and Safety:** Our RIDDOR Accident Rate at shopping centres fell to 1 in 4.4 million visitors (2007: 1 in 2.9 million visitors). Overall, this represents a 42% reduction in the number of RIDDOR incidents at our shopping centres.

**Community Investment:** Our community contributions rose by 93% in 2008, to just over £800,000, largely attributable to new procedures introduced in 2008 to accurately measure and capture the value of the space our shopping centres give, free of charge, to local charities and community groups.

**Staff Satisfaction:** In our 2008 employee survey, 81% of our employees stated that they 'believe PRUPIM is a good place to work', compared to 79% in 2007.

**Climate Change:** In absolute terms, we reduced CO<sub>2</sub> emissions arising from energy consumption across our entire portfolio by 15.4% in 2008. Furthermore 74% of the energy consumed by our entire portfolio was derived from Good Quality Combined Heat and Power sources, which resulted in the aversion of 56,000 tonnes of CO<sub>2</sub>.

**Energy Efficiency:** 40% of properties assessed for EPC ratings received 'C' or above and 20% achieved a 'B' rating. Furthermore, on a like-for-like property basis, the energy efficiency of our significant offices improved by 3.3% in 2008 compared to 2006 levels.

**Water:** In absolute terms, we reduced water consumption across our entire portfolio by 13.4% in 2008 compared to 2007. We also achieved our target to undertake water audits at our 20 highest water consuming properties and expanded this to full Strategic Resource Reviews of energy, waste and water at all shopping centres and water intensive properties.

**Waste:** On a like-for-like property basis, we significantly increased the proportion of waste recycled by 6% in our significant offices and by 5% in our shopping centres compared to 2007 figures.

**Environmental Management Systems:** Since 2006, 18 additional properties have successfully achieved ISO 14001 accreditation. Now 28 of the largest multi-let offices in the PRUPIM portfolio have achieved this accreditation and a further six properties are expected to be certified in 2009.

**Sustainable Development & Refurbishment:** We developed a Sustainable Refurbishment Framework as a follow up from the Sustainable Development Framework which was launched in 2007. Together, these documents form the basis of our sustainable development strategy and lie at the heart of our development process.

**Occupiers:** In 2008 we put the groundwork in place to become the first major landlord to offer retailers the opportunity to pay rents monthly on existing leases without any financial penalties, demonstrating our support to occupiers during challenging market conditions.

"Properties are the places where a significant proportion of CO<sub>2</sub> emissions are generated. Hence, there is a need for concerted thought and action to be given to finding ways to reduce the impacts of the existing built stock."

**Dr. Paul McNamara, OBE**  
 Director, Head of Property Research & Information Team, PRUPIM

## CHALLENGES

In endeavouring to meet our sustainability targets for 2008, we encountered a number of challenges which we intend to address over the course of the next reporting period. This section outlines the challenges we face and our plans to deal with them.

**Occupier Engagement:** One of the challenges that we, in common with other landlords, face in our attempts to reduce utility consumption is that while we can influence the space that we control, occupiers are generally the major utility consumers in a building. Therefore, occupier engagement represents a major challenge and opportunity in reducing the environmental impacts associated with our buildings. We have made some progress in this area – for example, in April 2008 we held a workshop on Occupier Engagement for Management Surveyors with properties in our Improver Portfolio (see page 17) to provide them with the tools and information required to engage with occupiers on environmental issues.

We also commenced a trial of the British Property Federation's Tenant Energy Review (TER) as a tool to raise energy issues with our occupiers. We have found that some occupiers are receptive to engaging with us on these issues; however the challenge will be to reach out to those who are less interested. To meet this challenge, in 2009 we will encourage the display of at least five more TERs and, in agreement with our occupiers, we will also roll out a 'Memorandum of Understanding on green issues' for properties in our Improver Portfolio.

**Supplier Engagement:** We have an extensive supply chain which includes contractors, service partners and other suppliers from construction companies to shopping centre security guards and cleaners. In many cases procurement decisions are undertaken by external parties on our behalf. In such instances, our ability to ensure that sustainability factors are considered in the procurement process is limited.

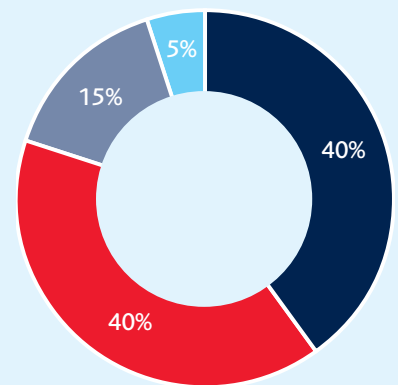
Buying Force, our procurement company (a joint venture partnership with DTZ), has made considerable progress towards raising the sustainability standards of our key suppliers. However, the number of key suppliers who completed our Sustainability Questionnaire declined in 2008 and we recognise that more effort is required to ensure that the sustainability credentials of all of our preferred suppliers are vetted in a consistent manner.

In the area of property development, we are aware that suppliers and contractors can have a significant impact on the sustainability performance of our construction activities. In 2009, we aim to incorporate requirements for measuring and monitoring performance against our development and refurbishment targets into the relevant contracts.

**Data Quality and Monitoring:** Like many of our sector peers, we are faced with the challenge of collating accurate data which is essential for monitoring and understanding variations in natural resource consumption and waste production. This is particularly challenging for our large multi-let buildings and construction sites. In 2009 we have committed to establishing accurate baseline data, particularly for impacts related to our development activities, with the intention of setting appropriate targets to reduce these impacts in the future. In some cases it will be necessary to develop new systems and procedures to gather data, which will require prior planning and investment.

For full details of our targets for 2009, please see pages 22-23.

## EVALUATION OF PROGRESS AGAINST 2008 TARGETS



Target fully achieved	(n = 8)
Target partially achieved	(n = 8)
Target not achieved	(n = 3)
Target not applicable	(n = 1)



# OUR IMPACTS



In order to ensure that our new Sustainability Strategy addressed the issues of greatest importance to our business and our stakeholders, in 2008 we commissioned an independent review of the most material impacts of our business. This materiality review highlighted a number of issues that have now been incorporated into our Sustainability Strategy described on page 12.

Our impacts are varied and present themselves at different stages of the property cycle. This section provides a summary of the main impacts associated with our business and outlines some of the key actions that we have committed to undertake in order to address these issues. A full list of our future targets can be found on page 22.

ENERGY & CLIMATE CHANGE	THE SOLUTIONS	WHAT WE'VE COMMITTED TO DO
<p>Climate change continues to be high on the global political agenda. As the built environment accounts for approximately 40% of all carbon emissions, it is unsurprising that a number of fiscal and legislative measures are being introduced to mitigate the impacts of climate change associated with buildings. It is also widely accepted that the impacts of climate change can no longer be avoided and therefore it will be important to understand and adapt to the risks that this challenge presents in order to protect the long-term value of our built assets.</p> <p>In the short term there is also evidence to suggest that some tenants are willing to pay a premium to occupy energy efficient buildings due to the potential cost savings and reputation benefits that they offer.</p>	<p>Reduce the amount of carbon dioxide emissions associated with our business activities and buildings.</p> <p>Increase the energy efficiency of buildings through design and operational improvements.</p> <p>Procure energy efficient appliances and equipment.</p> <p>Generate and purchase renewable energy e.g. onsite solar and wind power.</p> <p>Encourage tenants to save energy when occupying our buildings.</p> <p>Develop sustainable transport options for new developments and existing buildings.</p> <p>Evaluate the risks associated with climate change and where necessary implement site adaptation strategies.</p>	<p>Incorporate cost-effective recommendations from EPC reports into asset plans.</p> <p>Achieve a reduction in carbon emission intensity against the 2008 baseline of 10% at our shopping centres and managed offices.</p> <p>Exceed the requirements for energy performance set out by Part L of the Building Regulations (2006) for all new buildings.</p> <p>Investigate potential opportunities for renewable energy generation on our strategic land portfolio and large long-term delivery sites, over which we have development control.</p> <p>Engage with occupiers at managed offices and encourage the display of at least five Tenant Energy Reviews.</p> <p>Develop and implement green travel plans for all our shopping centres.</p>

WASTE	THE SOLUTIONS	WHAT WE'VE COMMITTED TO DO
<p>The built environment accounts for around 30 to 40% of solid waste generation. Much of this waste ends up in landfill sites, placing pressure on valuable land resources and creating environmental problems for years to come. Consequently a number of legislative and fiscal measures have been introduced to encourage waste prevention, recycling and reuse and to discourage the use of landfill.</p> <p>Significant cost savings can be achieved through the implementation of good waste management regimes and there are increasing opportunities to generate revenue by recycling marketable waste streams.</p>	<p>Increase recycling and reuse of waste and divert waste from landfill.</p> <p>Procure sustainable goods and materials e.g. with recycled and recyclable content.</p> <p>Encourage our tenants and centre visitors to reduce and recycle waste when occupying and using our buildings.</p> <p>Implement site waste management plans.</p> <p>Engage with facilities managers and contractors to minimise waste produced during the operation and construction of buildings.</p>	<p>Send no more than 20% of waste from shopping centres directly to landfill.</p> <p>Achieve onsite recycling rates of 40% at our shopping centres and managed offices.</p> <p>Work with our contractors to measure the weight of non-hazardous construction and excavation waste sent to landfill, with a view to reducing this in the future.</p> <p>Reuse or recycle 80% of non-hazardous construction and demolition waste.</p> <p>Achieve at least 15% (by weight) total recycled or reclaimed content of materials used in new developments.</p>

WATER	THE SOLUTIONS	WHAT WE'VE COMMITTED TO DO
<p>The properties we manage consume the equivalent of 262 Olympic-size swimming pools of water every year. The impacts of climate change are predicted to exacerbate global and national water shortages. Since a large proportion of the water used is consumed inside buildings, it is unsurprising that governments are planning to introduce measures to increase the water efficiency of built assets. Substantial cost savings can also be achieved in addition to the environmental benefits that conserving water can bring.</p>	<p>Increase the water efficiency of buildings through design and operational improvements.</p> <p>Procure and install water efficient appliances and equipment e.g. low flush toilets.</p> <p>Increase water recycling and reuse through technological improvements e.g. rainwater/grey water harvesting.</p> <p>Engage and encourage tenants and shopping centre visitors to conserve water when occupying our buildings.</p>	<p>Achieve a reduction of 10% in water consumption in landlord-controlled parts of the top 20 water-consuming managed properties.</p>

BIODIVERSITY & LAND USE	THE SOLUTIONS	WHAT WE'VE COMMITTED TO DO
<p>When land is altered from its natural state, it can cause biodiversity loss and disturb ecological processes. Global loss of biodiversity and ecosystems is threatening the functioning of our planet, our economy and society. As a significant player in the UK real estate industry, we recognise the impact that our development activities can have on the local ecology. We also acknowledge that sensitive design and landscaping can attract occupiers to our premises.</p>	<p>Enhance onsite biodiversity and ecology by for example establishing green roofs, living walls and site biodiversity action plans.</p> <p>Avoid developing on greenfield land or land containing rare species or habitats.</p> <p>Integrate biodiversity during the planning of new developments by creating biological corridors and connected open/green spaces.</p> <p>Reduce pressure on land resources by remediating contaminated land.</p> <p>Procure sustainable goods and materials e.g. FSC certified products.</p>	<p>Our Sustainable Development and Refurbishment Frameworks include measures which ensure that biodiversity and land use considerations are raised at all stages of the development process, from feasibility to construction. More information about these Frameworks can be found on page 18.</p>

COMMUNITIES AND OTHER STAKEHOLDERS	THE SOLUTIONS	WHAT WE'VE COMMITTED TO DO
<p>Our operations have a direct impact on our stakeholders, particularly the communities located near our assets and developments. It is important to ensure that our developments deliver real benefits to local people and our construction activities minimise disturbance to neighbouring communities.</p> <p>The safety of our staff, contractors and those who use our buildings is also a key priority for our business and affects all our stakeholders.</p>	<p>Engage and consult communities located near our developments.</p> <p>Procure local goods and services.</p> <p>Deliver real benefits and additional services to local communities.</p> <p>Minimise disturbance caused by construction.</p> <p>Implement Health and Safety (H&amp;S) management systems.</p> <p>Engage with customers, contractors, occupiers and staff about H&amp;S risks.</p>	<p>Considerate Constructors Scheme: Achieve a minimum average score of 32 out of 40 over the course of the project for all new developments and refurbishments.</p> <p>Establish a set of key performance indicators to more robustly measure our achievements and performance in socio-economic areas such as health &amp; wellbeing, jobs &amp; skills, community, ecology &amp; biodiversity and investment in public transport.</p>

# OUR STAKEHOLDERS

Our stakeholders are those most significantly affected by our activities and whose actions can affect our business performance. Our main stakeholders are our occupiers, the communities close to our shopping centres, our staff, suppliers and our parent company, Prudential plc.

## COLLABORATING WITH INDUSTRY BODIES AND ASSOCIATIONS

We are committed to maintaining PRUPIM's thought-leadership through continued involvement in relevant industry bodies, forums and conferences and through contributing to publications concerning sustainability issues. We actively participate in several sustainability initiatives launched by industry bodies, associations and non-governmental organisations. Our Managing Director, Martin Moore, chairs the Sustainability Committee of the British Property Federation (BPF). This Committee was established to create the Sustainability Strategy for the BPF, and focuses on working with government and policy makers to develop industry solutions for incoming legislation and policy affecting the property sector.

Our Head of Research, Paul McNamara, is a member of the Steering Committee of the Institutional Investors Group on Climate Change. Paul also co-chairs the Property Working Group of the United Nations Environment Programme Finance Initiative. More information on Paul's outstanding contribution to sustainability and the property industry is highlighted online.

"Forum for the Future has worked in partnership with PRUPIM for a number of years, and has found them to be one of the most progressive companies in their sector."

Martin Hunt, Head of Built Environment, Forum for the Future

Forum for the Future is a charity committed to sustainable development. The built environment is one of the organisation's focus areas and it has a long-term goal of transforming the sector. See page 15 for more information about our work with Forum for the Future.

### INDUSTRY BODY AND ASSOCIATION MEMBERSHIPS

- Association of Foreign Investors in Real Estate (AFIRE)
- Association of Real Estate Funds (AREF)
- British Council for Offices (BCO)
- British Council of Shopping Centres (BCSC)
- British Property Federation (BPF)
- City Property Association (CPA)
- European Association for Investors in Non-listed Real Estate Vehicles (INREV)
- Investment Property Forum (IPF)
- Real Service.

STAKEHOLDER GROUP	HOW WE LISTEN AND RESPOND
<p><b>SUPPLIERS</b></p> <p>We procure goods and services from over 2,000 suppliers or contractors. Our supply chain priorities are to ensure that our suppliers are treated fairly and operate in accordance with our standards.</p>	<p>We have an extensive supply chain which includes contractors, service partners and other suppliers from construction companies to shopping centre security guards and cleaners.</p> <p>Through Buying Force, our procurement company (a joint venture partnership with DTZ), we engage with our suppliers to ensure that they meet minimum sustainability standards. Since we began monitoring this in 2007, we have seen significant improvements in the sustainability performance of our supply chain, described in more detail on page 15.</p> <p>In 2009 we aim to incorporate requirements for measuring and monitoring performance against our development and refurbishment targets into the contracts of our new development suppliers.</p>
<p><b>EMPLOYEES</b></p> <p>Our business employs nearly 300 direct employees. We aim to attract and retain the best staff, and to contribute to their continuing professional development.</p>	<p>Our employee survey 'Shaping our Future' provides employees with a chance to provide our management team with feedback on a range of issues including job satisfaction, motivation and sustainability.</p> <p>In our 2008 employee survey, 81% said that they would recommend PRUPIM as a good place to work, 9% above the financial services benchmark; 71% of our employees agreed that our involvement in community and environmental activities brings business benefits. In 2009 we will be launching a staff engagement programme for employees with strategic or operational responsibility for the implementation of our new strategy.</p>
<p><b>COMMUNITIES</b></p> <p>We manage and invest in hundreds of properties and development projects. We seek to maintain strong links with local communities in the locations where we operate.</p>	<p>During our development projects we listen to and communicate with local stakeholders in a number of ways. These range from statutory planning consultations to more proactive means of engagement, such as organising open days and exhibitions of new development proposals and sending out community newsletters during construction works. All our new developments are registered with the Considerate Constructors Scheme and in 2009 we aim to achieve a minimum average score of 32 out of 40 over the course of each project.</p>
<p><b>OCCUPIERS</b></p> <p>Over 4,500 individual tenancy agreements in place. We are committed to providing the highest standards of customer service and supporting our occupiers to improve their own sustainability performance.</p>	<p>In 2008 we put the groundwork in place to become the first major landlord to offer a monthly rental payment option to retailers on existing leases without any financial penalties. To date, nearly half of our retail occupiers have taken advantage of this new arrangement which has provided immediate relief to struggling retailers. We have also offered this opportunity to smaller retail businesses on a permanent basis.</p> <p>We also seek opportunities to support our occupiers in improving their own sustainability credentials because we believe this can bring mutual benefits. For example, in collaboration with the Landlords and Retailers Working Group, The Mall at Cribbs Causeway in Bristol is trialling a number of initiatives, including energy saving measures, to reduce costs and occupier service charges.</p> <p>To improve communication with our tenants, we also plan to develop and launch an occupier web portal which will provide – amongst other things – access to PRUPIM's policies on topics including insurance, H&amp;S and sustainability, and an easy way to provide feedback on the services we deliver.</p>
<p><b>CLIENTS &amp; PARENT COMPANY</b></p> <p>We are managers of one of the largest property funds in the UK. We are committed to protecting and enhancing long-term fund performance by incorporating sustainability factors into our investment decisions.</p>	<p>PRUPIM's single largest client is our parent company Prudential plc. We maintain strong links with Prudential's Board. As one of the largest real estate investment managers in the UK, we also provide portfolio management services to a wide range of other clients, including UK and overseas institutional investors. We communicate our sustainability performance via our annual Sustainability Reports, and Prudential plc's Corporate Responsibility Reports.</p> <p>Since 2003 we have assisted Prudential plc in compiling the company's response to the Carbon Disclosure Project: an independent not-for-profit organisation which holds the largest database of corporate climate change information in the world and represents the largest institutional investor collaboration on the business implications of climate change.</p>

## CASE STUDY: PRUPIM'S MULTI-STAKEHOLDER REVIEW PANEL

PRUPIM was one of the first real estate companies to develop a Sustainability Strategy and has been producing annual Sustainability Reports since 2002. After several years of reporting on our sustainability performance we felt it was important to involve our stakeholders in our approach.

In October 2008 we asked a panel of stakeholders to challenge our reporting practices and our Sustainability Strategy. Approximately 30 representatives from public interest groups, our occupiers, industry bodies, supplier organisations and academic institutions participated in a workshop independently facilitated by Upstream.

The panel commended PRUPIM for its initiative in convening a multi-stakeholder review and raised a number of observations which were presented to PRUPIM's management.

In response to the feedback provided by our panel we have significantly revised our Sustainability Strategy and reporting practices. In 2009 we launched our new strategy which communicates our long-term sustainability commitments, underpinned by a series of short-term targets and performance indicators which will enable us to monitor our progress. We also considered the panel's feedback when developing and designing this Sustainability Report, which we hope you enjoy reading. We are planning to host our second stakeholder workshop which is likely to focus on specific issues and engage specific stakeholder groups, particularly those on whom we have a direct impact.

"I was very encouraged that an organisation such as PRUPIM would seek 360 degree feedback from its clients and stakeholders in such an open and transparent way. The recommendations from the stakeholder panel give them a real opportunity to focus on a much tighter set of targets and KPIs that should move their ambition for purely compliance to becoming a leader within the sector that they operate."

Crispin Burridge,  
Head of Plan A & Sustainable Construction,  
Marks & Spencer

# OUR SUSTAINABILITY STRATEGY AND GOVERNANCE



Developing and managing a varied property portfolio can have a wide range of impacts on the environment, the economy and society. In 2008, as the lifespan of our previous Sustainability Strategy ended, we were keen to ensure that our approach to sustainability would address the issues of most importance to our business and our stakeholders. We asked Upstream to conduct an independent review of the material impacts of our business, and we formed a stakeholder panel comprising representatives from public interest groups, our occupiers, industry bodies, supplier organisations and academic institutions to challenge our reporting practices and our Sustainability Strategy (see case study on page 11 for more details). In response to the feedback provided by the stakeholder panel and the outcomes of the impact review, we significantly revised our Sustainability Strategy which is described in this section.

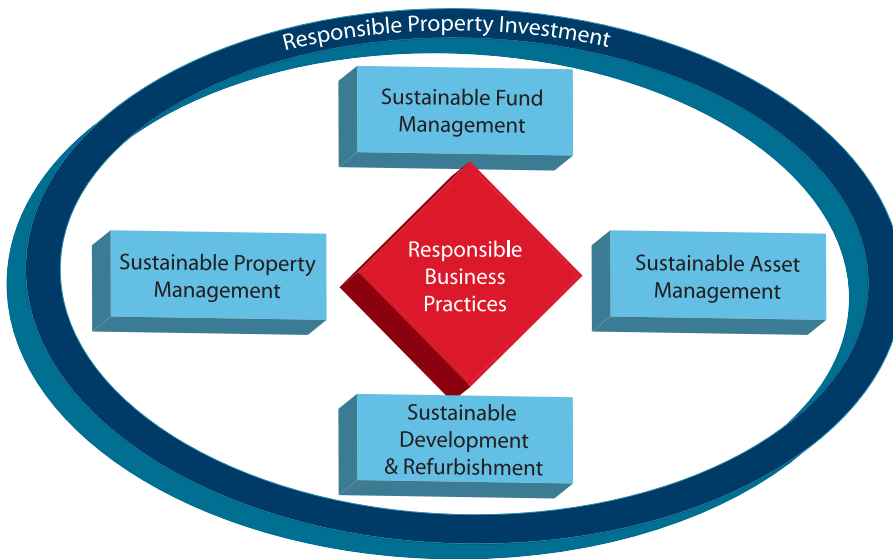
## OUR VISION

In 2009 we launched our new corporate sustainability vision which clearly articulates our long-term aspirations to our stakeholders. As a leading sustainable real estate manager, our vision is to:

- Deliver superior investment performance through integrating sustainability into our core business culture, activities and decision making
- Be a responsible business, addressing our own impacts and our stakeholders' expectations
- Influence the property sector where we can through innovation and thought-leadership.

## OUR SUSTAINABILITY FRAMEWORK

The framework below illustrates how our new Sustainability Strategy encompasses all our core operations.



## OUR COMMITMENTS

Our new strategy is based on our corporate sustainability vision and five core operational areas of our business. We have developed long-term sustainability commitments in each operational area which are outlined below. These are underpinned by a series of short-term targets which will enable us to monitor our progress (our new targets are listed on pages 22 and 23).

**Sustainable Fund Management:** We will protect and enhance long-term fund performance by incorporating environmental and socio-economic thought-leadership within our investment and risk management processes and promoting responsible property investment throughout all teams' activities.

**Sustainable Asset Management:** We will optimise and future-proof the value and performance of our assets by integrating cost-effective sustainability measures into the planning, implementation and asset management process, to ensure that our responsible property investment vision is strategically driven from policy to property level.

**Sustainable Development and Refurbishment:** Through our Sustainable Development and Refurbishment Frameworks we will adopt cost-effective design solutions and implementation strategies for our developments and major refurbishments to maximise their social and economic contribution and minimise the adverse impact of our activities on the environment.

**Sustainable Property Management:** We will further develop our sustainable practices to monitor and improve utilities efficiency, resource management and waste management in order to deliver cost savings, minimise environmental impact and enhance relations with occupiers, suppliers and communities.

**Responsible Business Practices:** We will minimise the adverse social and environmental impacts of our business, uphold the integrity of our business relationships and ethics, and focus on the engagement and satisfaction of our staff to build long-lasting market advantage through increased competitiveness and brand value.

## GOVERNANCE

Our Sustainability Operations Committee (OPSCO) was set up in 2003 and is responsible for overseeing the development and implementation of our Sustainability Strategy. The OPSCO is comprised of senior representatives from across the company, particularly the five core operational areas addressed by our strategy. Members of the OPSCO meet on a quarterly basis to review progress toward targets and to discuss matters of strategic importance related to sustainability. The OPSCO is chaired by Joel Quintal, Sustainability and Environment Manager, who reports to PRUPIM's Board.

Operational responsibility for the delivery of our targets rests with a large number of individuals throughout the business, at our managed assets and development sites and in our corporate offices. In 2009 we will launch a staff engagement programme for employees with strategic and operational responsibility for the implementation of our new strategy and integrate sustainability into the performance objectives of appropriate employees.

"We are at a very exciting stage in the development of sustainability in the property industry as the sector begins to exploit the efficiencies, benefits and returns offered by a truly sustainable approach to commercial property investment and management. It is vital to report openly and transparently on this issue, while continuing to innovate and deliver value to our stakeholders. The materiality exercise will help ensure that PRUPIM is among the pioneers in addressing environmental and social impacts, and through doing so, deliver superior investment performance. I am delighted to see PRUPIM strengthen its position on sustainability and I am confident that we will continue to deliver at a time when it is needed most."

**Joel Quintal,**  
Sustainability and Environment Manager,  
PRUPIM

## GOVERNANCE MODEL



# RESPONSIBLE BUSINESS PRACTICES



We believe that behaving responsibly is not simply the right thing to do but is also a way of generating significant benefits which are closely aligned with our business objectives. As a leading real estate investment company, the range of activities that we undertake requires us to act responsibly in many different areas. We have a number of policies and standards in place to guide our business decisions and we ensure that our principles are put into practice through our leadership, training and performance appraisals.

## OUR SUSTAINABILITY COMMITMENT

We will minimise the adverse social and environmental impacts of our business, uphold the integrity of our business relationships and ethics, and focus on the engagement and satisfaction of our staff to build long-lasting market advantage through increased competitiveness and brand value.

## OUR SUSTAINABILITY STRATEGY

Responsible business practices are central to and underpin our Sustainability Strategy which encompasses all our operations and activities. There are a number of sustainability issues which are relevant to all aspects of our business and/or require a centralised approach.

These include:

- Working in partnership with our suppliers and joint venture partners to ensure that their operations are in line with our standards and principles
- Engaging with our customers to understand and respond to their evolving needs
- Treating our employees fairly and with respect and identifying ways to maximise job satisfaction
- Maintaining the highest standards of H&S to protect employees and contractors at our managed assets and on our development sites
- Ensuring our business conduct is in line with the minimum legislative requirements and, where feasible, exceeding these requirements
- Managing our own office environmental footprint in the same way as the assets we manage on behalf of client funds and investors
- Contributing to local communities surrounding our managed assets and development projects.

## KEY FACTS

- Operating in 17 countries and headquartered at City Place House, London, UK
- With over £15 billion of assets under management, PRUPIM is one of the largest real estate investment managers in the UK
- PRUPIM manages over £3 billion of international real estate assets across Europe, North America and the Asia Pacific region
- PRUPIM has 273 UK employees.

## WHAT WE HAVE ACHIEVED

In 2008 we fully and partially achieved 80% of our responsible business practice targets. This section contains just a selection of our recent achievements and initiatives. More case studies and a comprehensive account of our performance against our targets and key performance indicators can be found on our website.

**Health and Safety:** Our RIDDOR Accident Rate at shopping centres fell to 1 in 4.4 million visitors (2007: 1 in 2.9 million visitors). This represents a 42% reduction in the number of such incidents.

**Suppliers:** Buying Force, our joint venture with DTZ, continues to increase the environmental standards of our supply chain. In 2008 69% of suppliers had a recognised EMS in place compared to only 35% in 2007 and 94% had an environmental policy compared to 77% in 2007.

**Community Investment:** Our community contributions rose by 93% in 2008, to just over £800,000. This increase is largely attributable to new procedures introduced in 2008 to accurately measure and capture the value of the space our shopping centres give, free of charge, to local charities and community groups.

**Office Environmental Impacts:** In 2008 we moved into City Place House, our new headquarters. To demonstrate our commitment to our sustainability principles, we ensured that our new office was fitted out in accordance with those principles. We also recorded a 21% reduction in the CO<sub>2</sub> emissions associated with our business travel in comparison to 2007.

**Staff Satisfaction:** The amount of employees who have been with the company for ten years or more continues to rise, now standing at 43%. In our 2008 employee survey 81% of our employees stated that they 'believe PRUPIM is a good place to work' compared to 79% in 2006. Furthermore, 71% of respondents also agreed that 'our involvement in community and environmental activities brings business benefits to PRUPIM'.

## HEADLINE KEY PERFORMANCE INDICATORS

INDICATOR	2006	2007	2008
Scope 3 GHG emissions – Business Travel (tonnes of CO <sub>2</sub> )	317	320	251
Total corporate community investment (£)	609,000	416,410	802,585
RIDDOR accidents at managed properties	57	44	29
RIDDOR Accident Rate for shopping centres (ratio of RIDDORs per million visitors)	1:2.4	1:2.9	1:4.4

## CASE STUDY: COMBINING NATURE CONSERVATION AND TEAM BUILDING, LONDON

In September 2008 over 40 volunteers from PRUPIM and law firm CMS Cameron McKenna participated in conservation activities at Stave Hill Ecological Park, South London. The event was held in partnership with CMS Cameron McKenna, who generously organised and funded the day, and PRUPIM employees were able to use one of their two annual volunteering days to take part.

The group was split into four teams, and spent a day at the site undertaking a variety of tasks including preparing the land for next spring, planting bulbs and clearing riverbanks, with the overall aim of ensuring that a variety of plants and habitats can thrive in the exceptionally poor soil found at the site.

"Despite the gruelling nature of the work, the blisters, aching knees and creaking backs, I think we all agreed it was a really worthwhile event and a great opportunity for us to make a real contribution to a charity which is very reliant upon people's generosity with their time" said Charles Mordaunt, PRUPIM volunteer.

The event had the added benefit of introducing people who often work closely together without necessarily meeting face-to-face, and cementing relationships with CMS Cameron McKenna outside the office.



**Conservation:** volunteers from PRUPIM and law firm CMS Cameron McKenna

## CASE STUDY: FUTURE SCENARIO PLANNING

In June 2008 we commissioned Forum for the Future to facilitate a sustainability workshop entitled "A Positive Future for PRUPIM". All PRUPIM Board members and the company's Leadership Forum attended the workshop which aimed to raise their awareness of sustainability and to encourage them to consider future trends when making operational and strategic decisions.

Our Leadership Forum was established in 2007 and comprises of over 30 individuals from across the business who report to members of PRUPIM's Board.

The overall aims of the Leadership Forum are to improve idea generation, productivity and communication across PRUPIM. For this reason, we selected this group of individuals to join the Board in attending this sustainability workshop.

The workshop was opened by Jonathon Porritt (founder director of Forum for the Future and chairman of the UK Sustainable Development Commission) with an introduction to sustainability. During the workshop, participants agreed to undertake a number of actions in order to ensure that the company adjusts to anticipated future social, environmental and business trends which are of relevance to the property sector. Actions included:

- Promotion of environmental benchmarks
- Development of a Sustainable Refurbishment Framework to complement PRUPIM's Sustainable Development Framework
- Reduction in office space and cost of occupation through establishing flexible working arrangement such as hot-desking and home working and developing initiatives to increase the energy efficiency of buildings
- Development of an education programme for PRUPIM staff, investors and occupiers.

Since June 2008 we have made excellent progress towards implementing some of these actions and we will continue to build on this work with Forum for the Future.

## OUR FUTURE TARGETS

We have set ourselves three targets to achieve by the end of 2009 with the aim of improving the sustainability performance of our business practices. These are listed on page 23.



See more at

[www.prupim.com/about/sustainability](http://www.prupim.com/about/sustainability)

# SUSTAINABLE FUND & ASSET MANAGEMENT



Our investment professionals aim to maximise the performance of our clients' investments. Our award winning performance has been achieved through a deep understanding of property markets, developed over 100 years of investing in real estate. Our experience means that we are able to offer our clients a comprehensive fund management service, including acquisition and disposal of commercial property. Supported by one of the UK's most respected property research teams, our fund management business is able to create bespoke segregated funds and offer access to a broad range of pooled property funds.

## OUR SUSTAINABILITY COMMITMENT

We will protect and enhance long-term fund performance by incorporating environmental and socio-economic thought-leadership within our investment and risk management processes and promoting responsible property investment throughout all teams' activities.

We are also committed to optimising and future-proofing the value and performance of our assets by integrating cost-effective sustainability measures into the planning, implementation and asset management process, to ensure that our sustainability vision is strategically driven from policy to property level.

## OUR SUSTAINABILITY STRATEGY

We believe that sustainability will significantly impact future property values and prospective returns. Our strategy is to implement sustainability improvements that will add value to our existing assets, and to incorporate consideration of sustainability risks into our acquisition and disposal decisions.

We identify opportunities to improve the sustainability performance of our assets through the EPC rating process and environmental audits. We have also established an internal Improver Portfolio to learn which parts of the asset management process are most amenable to reducing environmental impacts and we are participating in a number of national and international working groups to develop the link between sustainability and investment performance.

## KEY FACTS

- PRUPIM is a part of the M&G Group of Companies, which is the asset management arm of Prudential plc in the UK and Europe, managing over £142 billion worth of assets
- Managing real estate investment portfolios ranging in size from £2.7 million to over £6 billion
- PRUPIM has investments in over 800 properties, with approximately 4,500 property occupiers across the UK, Europe, North America and Asia
- Approximately 165 property transactions worth £1.86 billion executed in 2008.

## IMPROVER PORTFOLIO – EXAMINING THE LINK BETWEEN ENVIRONMENTAL IMPACT AND INVESTMENT RETURNS

We established an internal Improver Portfolio in March 2007, consisting of 22 properties drawn from all sectors worth approximately £300 million. The main objective of this portfolio is to examine ways in which we can reduce a 'typical' property portfolio's environmental impact whilst maintaining or even enhancing investment returns. This is a pioneering project for the UK property industry, and since its launch our asset managers for the properties comprising the Improver Portfolio have been making a series of low and no-cost investments to reduce the environmental impact of the portfolio. Examples of the type of work undertaken in the Improver Portfolio are given below.

In these challenging market conditions the stock in the Improver Portfolio has matched performance in the wider market over the period 2007-2008. We are now rolling out the early findings to all our investment and asset management teams and we have issued a 'Top Tips to Reduce Carbon Footprint' guide for all our property managers, shopping centre managers and occupiers.

For a comprehensive account of our performance against our targets and key performance indicators, please see our Performance Reviews and Case Studies that are available on our website.

### GRIFFIN INDUSTRIAL ESTATE, SOUTHAMPTON

ACTIONS	OUTCOMES
<p>At Griffin Industrial Estate, which was built in the 1980s, we completed a substantial refurbishment of a parade of derelict industrial units totalling over 3,300 m<sup>2</sup>. During the refurbishment we incorporated a number of low and no-cost green initiatives including the use of recycled carpeting, organic paints and sustainable timber. We also installed energy efficient devices such as T5 light fittings, and increased the natural lighting of the warehouses by 15% by increasing the skylight provision and improving surface finishes.</p>	<p>The results of the refurbishment works were very well received by external parties and potential tenants. As a result, prior to the completion works we achieved long-term lettings for the whole parade to high-quality covenants such as Tomy UK Limited, raising the market rent for the asset.</p> <p>Furthermore, since occupying their warehouse in May 2008, Tomy have been able to operate without the need for internal artificial lighting, saving approximately 60 tonnes of CO<sub>2</sub>. This has had a considerable positive impact on the company's operating costs and business margins.</p>

### WATERSIDE SHOPPING CENTRE, LINCOLN

ACTIONS	OUTCOMES
<p>Our teams recognised that there were a number of improvements that could be made at Waterside (a relatively modern shopping centre, built in 1991) to maximise resource efficiency. For example we have:</p> <p><b>Launched</b> an Energy Awareness and Staff Engagement Programme.</p> <p><b>Installed</b> a new segregated waste management system and a compactor system for cardboard and plastics.</p>	<p>Lighting was reduced through the use of bright paints, timers and energy efficient T5 light fittings.</p> <p>Natural ventilation of the centre was improved by maximising the use of roof vents and main entrances. All air handling units are now permanently switched off.</p> <p>These improvements have reduced electricity consumption, saving approximately 82 tonnes of CO<sub>2</sub>.</p> <p>The segregated waste management system improved recycling rates to 44%, with a 50% reduction in waste handling costs.</p>

Occupier engagement represents a major challenge and opportunity in reducing carbon emissions of the buildings within the Improver Portfolio. In April 2008 we held a workshop on occupier engagement for Management Surveyors with properties in this portfolio to provide them with the tools and information required to engage with occupiers on environmental issues.

"Climate change is a key area where both landlord and tenant have the same aims and can work together for their mutual benefit."

Tony Bennett, Asset Manager for the Improver Portfolio, PRUPIM

## CASE STUDY: THOUGHT LEADERSHIP; PAUL MCNAMARA

In May 2008 Paul was awarded the Outstanding Industry Contribution Award at the IPE Real Estate Investor Awards, in recognition, amongst other things, of his exemplary work in the area of sustainability. This award is based on nominations from the investment and pensions industry throughout Europe, and represented the highest accolade on the night. Paul has shown enormous dedication to both advancing our own responsible property investment programme and campaigning globally.

Paul is co-chair of the Property Working Group of the United Nations Environment Programme Finance Initiative. As co-chair, Paul has overseen various publications including 'What the Leaders Are Doing' and 'Building Responsible Property Portfolios', which highlight the impact that improving the sustainability performance of existing buildings can have on financial returns.

Paul also sits on the steering committee of Institutional Investors Group on Climate Change (IIGCC). In this role he assists in overseeing the activities of the IIGCC and coordinates the work of their property work stream, as well as co-writing their 2008 publication: 'A Changing Climate for Property Investment: A Trustee's Guide', which shows how incorporating climate change factors into investment decision processes is consistent with Trustees' fiduciary responsibilities.

"There are a wide range of opportunities that exist for institutional investors who want to take positive action and apply the principles of responsible investment to their property assets. However, the complexities surrounding how properties are owned, leased and occupied are such that this requires specialist attention."

Dr. Paul McNamara, OBE  
Director, Head of Property Research & Information Team, PRUPIM

## OUR FUTURE TARGETS

We have set ourselves seven targets to achieve by the end of 2009 with the aim of improving the sustainability performance of our fund and asset management. These are listed on page 23.



See more at  
[www.prupim.com/about/sustainability](http://www.prupim.com/about/sustainability)

# SUSTAINABLE DEVELOPMENT & REFURBISHMENT

Over the last 20 years, we have developed more than 2.1 million m<sup>2</sup> with projects ranging in size from less than £1 million to in excess of £150 million. Our experienced team operates across all of the major property sectors throughout the UK, and possesses the necessary skills to develop a wide range of opportunities, including regional shopping centres, business parks, retail warehouses, city centre office buildings, mixed-use urban renewal schemes, hotels and leisure facilities. We also provide our clients with a wide range of development services covering land investments, acquisition, site assembly, appraisal, design, planning, marketing, letting and full project management.

## OUR SUSTAINABILITY COMMITMENT

Through our Sustainable Development and Refurbishment Frameworks we will adopt cost-effective design solutions and implementation strategies for our developments and major refurbishments to maximise their social and economic contribution and minimise the adverse impact of our activities on the environment.

## OUR SUSTAINABILITY STRATEGY

In 2007 we launched our Sustainable Development Framework and in 2008 we developed a Sustainable Refurbishment Framework. These documents form the basis of our sustainable development strategy and are at the heart of the development process.

Our Frameworks provide a basis for decision-making on all our projects by introducing a series of sustainability issues which the design and construction teams should consider and where possible develop solutions to address.

Specific issues to be considered fall under the following general impact areas:

- Energy and Carbon
- Water
- Materials and Waste
- Land Use and Ecology
- Pollution
- People and Buildings
- Building Operation and Maintenance
- Transport.

In accordance with our Frameworks, a sustainability workshop is held at each of the four stages of a development or refurbishment project: feasibility, work-up, procurement and construction to agree targets and benchmarks. At the end of the project, a Gateway Review is conducted to ensure that proper consideration has been given to all relevant matters.

## KEY FACTS

- 11 development projects with construction value of £117 million commenced in 2008
- Four development projects with a total construction cost of £145 million completed in 2008
- 32 projects with construction value of approx £500m are currently in the development pipeline
- Approximately 46,500 m<sup>2</sup> are currently under development.

## HEADLINE KEY PERFORMANCE INDICATORS

INDICATOR	2007	2008
Proportion of completed developments on brownfield land	71% by area	100% by area
Proportion of completed development projects registered under the Considerate Constructors Scheme	100%	100%
Total community contributions through planning agreements with local authorities (including Section 106)	£278,422	£373,000

## CASE STUDIES: SUSTAINABLE DEVELOPMENT IN PRACTICE

We have highlighted some notable examples of sustainability measures implemented at a selection of our development and refurbishment projects during 2008. More detail about the initiatives undertaken at these and other sites, together with a complete account of our performance against our targets and key performance indicators, can be found on our website.

### THE HILTON HOTEL



#### The Project

In 2008 PRUPIM developed the new Hilton Hotel at Southside, Reading. The 210-room hotel

offers conference facilities, a restaurant and a health club (including steam room, solarium, pool, dance/fitness studio and gymnasium).

The hotel was developed with sustainability at the forefront of its design and is expected to achieve annual reductions in CO<sub>2</sub> emissions between 6% and 10% below the baseline for Part L 2006 Building Regulations.

All of the initiatives implemented at the site will assist Hilton in achieving its global sustainability objectives laid out in 2008; to reduce energy consumption, CO<sub>2</sub> emissions and waste by 20%.

#### Sustainability Measures

Central to the property's energy efficiency is the Building Energy Management System (BEMS), which controls all heating and ventilation systems and includes:

Scheduling of **ventilation** temperature set points in response to external conditions, thus optimising the performance of the ventilation system.

Advanced hotel reservation system which activates a **heating** setback facility in unoccupied meeting and guest rooms.

Master switches fitted in all guest rooms which enable control of **lighting** and ventilation.

Heat recovery circuits installed within ventilation systems, coupled with free **cooling** strategies.

In addition to the sophisticated BEMS, we have installed energy efficient heating, cooling and lighting systems. Energy sub meters have also been installed to monitor energy use and a recycling centre to minimise waste sent to landfill.

## CASE STUDY: SUSTAINABLE OFFICE REFURBISHMENT, SWAN HOUSE



Swan House, located in the heart of London, offers up to 2,250 m<sup>2</sup> of newly refurbished office space over six floors. The refurbishment project was completed by PRUPIM in autumn 2008 and included some notable examples of sustainable initiatives:

- The toilets are flushed using water collected from a new rainwater harvesting system which is supplemented by mains water only when required
- The light fittings are very efficient and have daylight and presence controls. In addition, they are configured using local lighting zones
- Secondary window glazing was installed to enhance thermal performance
- The heating and cooling systems were replaced with modern efficient systems which include air-to-air heat recovery between discharge and supply air streams and exceed Part L minimum compliance
- Lifts were replaced with new units calculated to be 40% more efficient than the originals.

### CITY PLACE HOUSE



#### The Project

PRUPIM moved into City Place House, our new headquarters, at the beginning of 2008. In line with

our commitment to minimising the environmental footprint of our own office occupation, we sought to ensure that the refurbishment of our new headquarters was sustainable.

We appointed Overbury, a carbon neutral and ISO 14001 certified company as our principal contractor. They were contractually obligated to undertake a sustainability audit of all sub-contractors involved in the project and to provide PRUPIM with a monthly Sustainability Report. We also ensured that the refurbishment incorporated a number of sustainability measures.

#### Sustainability Measures

To optimise **lighting** performance, low energy light bulbs, daylight and movement sensors and timers were installed.

Our target to **recycle** 60% of waste during the refurbishment was achieved as a result of recycling a number of waste streams including plasterboard, cardboard, wood, metal, access floor tiles and general waste.

A list of prohibited **materials** was developed which included wood from unsustainable sources. All timber was FSC certified and where a similar audit system existed for other materials, the audit trail was requested. Upon completion of the works, our contractor was required to certify that none of the prohibited materials were used in either the manufacture of components or in the construction of the works.

## OUR FUTURE TARGETS

We have set ourselves nine targets to achieve by the end of 2009 (unless otherwise stated) with the aim of improving the sustainability performance of our property development and refurbishment. These are listed on page 22.



See more at  
[www.prupim.com/about/sustainability](http://www.prupim.com/about/sustainability)

# SUSTAINABLE PROPERTY MANAGEMENT

We offer real estate investors a comprehensive property management service on either an individual property basis or for entire multi-sector portfolios. We have a wealth of experience and currently manage investments in over 800 properties, with approximately 4,500 individual tenancy agreements.

We work in partnership with our clients and use our experience, expertise and market position to offer tailored and additional products and services which go beyond what landlords are traditionally expected to provide. We also seek to develop proactive and constructive relationships with our client's occupiers to help us understand their business and space requirements, with a view to enhancing overall investment returns.

## OUR SUSTAINABILITY COMMITMENT

We will further develop our sustainable practices to monitor and improve utilities efficiency, resource management and waste management in order to deliver cost savings, minimise environmental impact and enhance relations with occupiers, suppliers and communities.

## OUR SUSTAINABILITY STRATEGY

As a major property manager we recognise that we have an opportunity to reduce the environmental impact of the assets that we manage. In particular, our strategy focuses on increasing the efficiency of our largest properties in order to reduce greenhouse gas emissions, energy and water consumption and waste production.

One of the challenges that we have faced in our attempts to reduce the direct impacts associated with our assets is that, as a landlord, we can only influence the space that we control. Our occupiers are generally responsible for the majority of the impacts associated with our buildings. Therefore, in addition to providing the highest standards of customer service we also seek opportunities to support and motivate our occupiers to reduce their own sustainability impacts such as those arising through utility consumption, transportation, or waste production. This is because we believe such collaboration can bring mutual benefits.

We are also committed to ensuring that those who occupy, work in or visit our premises adhere to our environmental and health and safety standards. This is achieved through the rollout of appropriate training and awareness-raising activities and through the introduction of effective management procedures and standards such as ISO 14001 and OHSAS 18001.

In summary, the following issues are most material to the operational areas of sustainable property management at PRUPIM:

- Energy Consumption and Efficiency
- Climate Change
- Occupier Waste
- Water Consumption and Efficiency
- Occupier Satisfaction and Engagement
- Responsible Procurement and Supplier Management
- Community Relations and Engagement
- Health and Safety.

## KEY FACTS

- PRUPIM has approximately 4,500 property occupiers across the UK, Europe, North America and Asia
- Over 4.2 million m<sup>2</sup> of Gross Lettable Area under management in the UK
- We manage 11 shopping centres, worth approximately £1.5 billion, which welcomed over 110 million visitors in 2008
- The real estate assets that we manage consist of 374 retail and leisure properties, 215 offices, 150 industrial assets and 71 other properties.

## WHAT WE HAVE ACHIEVED:

Presented below are some notable examples of our recent achievements. For a complete account of our performance against our targets and key performance indicators please read our Performance Review and see our Case Studies available on our website.

**Energy & Climate Change:** In absolute terms, we reduced CO<sub>2</sub> emissions arising from energy consumption across our entire portfolio by 15.4% in 2008. On a like-for-like basis, the energy efficiency of our significant offices improved by 3.3% in 2008 compared to 2006 levels. Furthermore, 74% of the energy consumed by our entire portfolio was derived from Good Quality Combined Heat and Power sources, which resulted in the aversion of 56,000 tonnes of CO<sub>2</sub>.

**Water:** In absolute terms, we reduced water consumption across our entire portfolio by 13.4% in 2008 compared to 2007. We also achieved our target to undertake water audits at our 20 highest water consuming properties and expanded this to full Strategic Resource Reviews of energy, waste and water at all shopping centres and water intensive properties.

**Waste:** On a like-for-like basis, we significantly increased the proportion of waste recycled by 6% in our significant offices and by 5% in our shopping centres compared to 2007 figures. The average recycling rate across all our significant offices was 32% compared to 28% in 2007. The average recycling rate across our shopping centres was 27% in 2008 compared to 22% in 2007.

**Occupiers:** In 2008 we put the groundwork in place to become the first major landlord to offer retailers the opportunity to pay rents monthly on existing leases without any financial penalties, demonstrating our support to occupiers during challenging market conditions.

**Environmental Management Systems:** Since 2006, a further 18 significant offices have also successfully achieved ISO 14001 accreditation. Now, 28 of the largest multi-let offices in the PRUPIM portfolio have received ISO 14001 accreditation and a further six properties are expected to be certified in 2009. The rollout of ISO 14001 certification has produced a number of benefits, including improved monitoring of energy, waste and water.

**Health and Safety:** Across our significant offices and shopping centres all RIDDORs fell by 34% in 2008. The RIDDOR accident rate at our shopping centres fell to 1 in 4.4 million visitors (2007: 1 in 2.9 million visitors) which represents a 42% reduction in the number of RIDDOR incidents at our shopping centres.

## HEADLINE KEY PERFORMANCE INDICATORS

**Absolute Values:** The values presented in the following table include data from all properties which consumed the utility in question at any point in 2006, 2007 or 2008. This type of analysis enables us to compare the impact of the entire portfolio over time.

INDICATOR	2006	2007	2008
Total CO <sub>2</sub> emissions (tonnes) arising from energy consumption across the entire portfolio. This includes scopes 1 & 2 of the GHG Protocol	104,672	99,584	95,247
% of Climate Change Levy (CCL) exempt electricity purchased across the entire portfolio	72%	74%	74%
Total water consumption (m <sup>3</sup> ) of the entire portfolio	885,009	756,495	654,916

**Like-for-like Values:** The values presented in the following table include data from properties that have complete data for the entire period 1 January 2006 to 31 December 2008. This type of analysis enables us to compare the performance of our key assets (shopping centres and significant offices) over time.

SIGNIFICANT OFFICES	2006	2007	2008
Energy efficiency of significant offices (kWh/m <sup>2</sup> )	440	416	426
Water efficiency of significant offices (litres/m <sup>2</sup> )	822	842	819
Recycled waste as a proportion of total waste (by mass) produced at significant offices	–	27	33

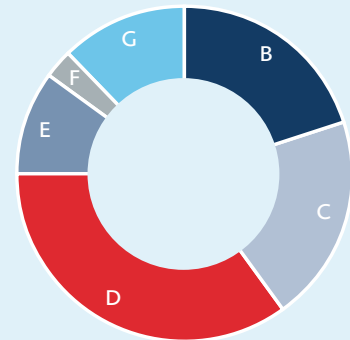
SHOPPING CENTRES	2006	2007	2008
Water efficiency of shopping centres (litres/visitor)	2.05	2.02	2.03
Energy efficiency of shopping centres (kWh/m <sup>2</sup> )	347	311	353*
Recycled waste as a proportion of total waste (by mass) produced at shopping centres	26	22	27

\* Whilst the energy efficiency of our shopping centre portfolio has not improved from 2006-2008, this is a result of the significant development activity that was undertaken at several of our major centres during this period.

## CASE STUDY: IMPLEMENTATION OF ENERGY PERFORMANCE CERTIFICATES (EPC)

We were one of the first real estate investors to undertake energy ratings across our managed portfolio in advance of the regulatory requirements. PRUPIM started working with Royal & Sun Alliance and Charterhouse Energy in October 2007 to ensure that the necessary data and processes were implemented in advance of the introduction of EPCs in April 2008.

Furthermore, we have taken a policy decision not to pass any of the associated costs (totalling approximately £700,000 in 2008) on to our occupiers. As at the end of 2008, we had EPCs for 243 managed assets and the ratings of these are presented in the chart below. The recommendations arising from the EPC rating process are being used to inform investment decisions and we have committed to incorporating cost-effective recommendations from EPC reports into our property asset plans.



40% of properties received an energy efficiency rating of C or above.

A	0% (n = 0)
B	20% (n = 47)
C	20% (n = 47)
D	35% (n = 80)
E	10% (n = 24)
F	3% (n = 6)
G	12% (n = 28)

## OUR FUTURE TARGETS

We have set ourselves eight targets to achieve by the end of 2009 (unless otherwise stated) with the aim of improving the sustainability performance of our property management. These are listed on page 22.



See more at

[www.prupim.com/about/sustainability](http://www.prupim.com/about/sustainability)

# OUR FUTURE TARGETS

Following feedback received from our stakeholder panel and our internal strategy review, we set ourselves 27 targets to be completed by the end of 2009 (unless otherwise stated). These targets reflect the most material impacts of our business and are aligned with our sustainability commitments.

## SUSTAINABLE PROPERTY MANAGEMENT

**We will further develop our sustainable practices to monitor and improve utilities efficiency, resource management and waste management in order to deliver cost savings, minimise environmental impact and enhance relations with occupiers, suppliers and communities.**

- Achieve a 10% reduction in carbon emission intensity for shopping centres and managed offices against the 2008 baseline (end 2010)
- Achieve onsite recycling rates of 40% at shopping centres and managed offices (end 2010)
- Send no more than 20% of waste from shopping centres directly to landfill (end 2010)
- Engage with occupiers at managed offices on energy reduction and efficiency measures, encouraging the display of at least five Tenant Energy Reviews
- Ensure that all shopping centres and managed offices are able to accurately monitor energy use
- Achieve a reduction of 10% in water consumption from a 2008 baseline in landlord controlled parts of the top 20 water-consuming managed properties (end 2010)
- Develop and implement green travel plans for all shopping centres
- Develop and launch an occupier web portal.

## SUSTAINABLE DEVELOPMENT & REFURBISHMENT

**Through our Sustainable Development and Refurbishment Frameworks we will adopt cost-effective design solutions and implementation strategies for our developments and major refurbishments to maximise their social and economic contribution and minimise the adverse impact of our activities on the environment.**

- Undertake certified BREEAM assessments (standard versions) on all new build projects with a construction spend in excess of £2m with the intention of obtaining a minimum rating of "Very Good"
- Include contractual requirements that contractors measure and monitor performance against our development and refurbishment targets
- Investigate the potential opportunities from renewable energy generation on our strategic land portfolio and on large sites with a long-term delivery programme, over which we have development control
- Achieve a minimum average score in the Considerate Constructors Scheme of 32 out of 40 over the course of the project for all new developments and refurbishments
- Work with our contractors to establish and implement measurement systems to enable us to calculate our 2009 baseline weight of non-hazardous construction and excavation waste sent to landfill, with a view to reducing landfilled waste in the future
- Reuse or recycle 80% of non-hazardous construction and demolition waste (end 2010)
- Achieve a 25% improvement for new commercial offices and 15% improvement for all other new properties on requirements for energy performance set out by Part L of the Building Regulations (2006)
- Establish a set of key performance indicators to more robustly measure our achievements and performance in socio-economic areas such as health & wellbeing, jobs & skills, community, ecology & biodiversity and investment in public transport
- Achieve at least 15% (by weight) total recycled or reclaimed content of materials used in new developments (end 2010).



## SUSTAINABLE FUND MANAGEMENT

**We will protect and enhance long-term fund performance by incorporating environmental and socio-economic thought-leadership within our investment and risk management processes and promoting responsible property investment throughout all teams' activities.**

- Maintain PRUPIM's thought-leadership through continued involvement in the relevant industry bodies, meetings and conferences like the UNEPFI Property Working Group, the Property Workstream of IIGCC, the Green Property Alliance and through continued publication and conference presentations on these issues
- Integrate sustainability into the FairVal asset appraisal system to assess the likely investment implications of sustainability factors on assets in ownership and those that we might acquire.

## SUSTAINABLE ASSET MANAGEMENT

**We will optimise and future-proof the value and performance of our assets by integrating cost-effective sustainability measures into the planning, implementation and asset management process, to ensure that our responsible property investment vision is strategically driven from policy to property level.**

- Roll out our environmental risk profiling system to all properties in the managed portfolio
- Roll out ISO 14001 certification to a further six significant offices
- Develop a management dashboard to illustrate the sustainability performance of shopping centres, to be presented at quarterly asset day meetings
- Incorporate cost effective recommendations from EPC reports into asset plans
- Where appropriate, and in agreement with tenants, roll out the "Memorandum of Understanding on Green Issues", concentrating initially on the Improver Portfolio, and also actively seeking opportunities to roll out to other properties under management.

## RESPONSIBLE BUSINESS PRACTICES

**We will minimise the adverse social and environmental impacts of our business, uphold the integrity of our business relationships and ethics, and focus on the engagement and satisfaction of our staff to build long-lasting market advantage through increased competitiveness and brand value.**

- Measure energy performance at our headquarters in City Place House and display a Tenant Energy Review (TER) certificate
- Develop and deliver a staff engagement programme for employees with strategic or operational responsibility for the implementation of our Sustainability Strategy
- Integrate sustainability objectives into the Performance & Development Application (PDA) objectives of employees with strategic or operational responsibility for the implementation of our Sustainability Strategy.

# ADVISOR'S STATEMENT

Upstream Sustainability Services (a business unit of Jones Lang LaSalle Ltd and referred to throughout this report as Upstream), has been acting as PRUPIM's strategic sustainability advisor since 2005. The support that Upstream has provided PRUPIM over this period has included an analysis of the company's key impacts; the facilitation of stakeholder engagement exercises; the development of the company's Sustainability Strategy and report; and the completion of annual sustainability performance reviews.

Upstream has not provided PRUPIM with a formal assurance or audit of the content or performance presented in this Sustainability Report. However, Upstream has supported PRUPIM in the planning and drafting of core content for the company's 2008 Sustainability Report. Through the compilation and analysis of internal information, Upstream has also provided PRUPIM with an external interpretation of the company's performance against defined indicators and targets. The purpose of our involvement in this process is to ensure that PRUPIM's stakeholders receive a balanced and transparent representation of the company's key sustainability impacts and performance within the context of its core business activities. With this in mind, Upstream has assisted PRUPIM in producing detailed performance reports for each strand of the company's Sustainability Strategy and these reports are available online at [www.prupim.com](http://www.prupim.com).

## REFLECTIONS ON 2008

Overall, PRUPIM fully or partially achieved 80% and made little or no progress towards 15% of the 20 targets it intended to accomplish by the end of 2008. One target was considered no longer applicable and accounts for the remaining 5%.

It is clear from Upstream's performance review that PRUPIM has also successfully delivered a number of sustainability initiatives and performance improvements (which are highlighted on page 6). However, it is important to note that little or no progress was made towards 15% of the targets due to be completed by the end of 2008. The areas that presented the most significant challenges include engagement with occupiers and suppliers to reduce the company's indirect impacts and the implementation of procedures to understand, measure and reduce the company's direct environmental impact. It is evident that further work will be required to ensure that these challenges are addressed over the course of the next reporting period.

Upstream has been impressed with PRUPIM's desire for change over the past year. This started with convening a stakeholder panel in October 2008 which challenged the company's Sustainability Strategy and reporting practices. Consequently, this led to a new Sustainability Strategy which in Upstream's opinion addresses many of the concerns raised by PRUPIM's stakeholders and is aligned with the company's core operations and impacts. PRUPIM's willingness to take constructive and sometimes critical feedback from its stakeholders demonstrates that the company is genuinely committed to advancing its sustainability ambitions.

## LOOKING FORWARD TO 2009 AND BEYOND

Upstream commends PRUPIM for launching a new, comprehensive and ambitious Sustainability Strategy for 2009-2012. The new strategy includes ambitious targets (outlined on pages 22 & 23) and successful delivery and implementation will require PRUPIM to address the following challenges:

**Data and Monitoring:** A key challenge for PRUPIM will be to ensure that it is able to effectively record and monitor the data required to track progress against new targets. A number of new targets require the collection and monitoring of data that is not currently recorded. In some cases it will be necessary to develop new systems and procedures to consistently gather data, which will require prior planning and investment. This will be particularly important in ensuring that the company is able to comply with the forthcoming Carbon Reduction Commitment in 2011.

**Stakeholder Engagement:** A number of new targets depend on the participation of PRUPIM's suppliers and occupiers; an area that proved challenging in 2008. Therefore, it is essential that PRUPIM starts to engage with these stakeholders to ensure they are aware of PRUPIM's sustainability aspirations and the new expectations that it places on its stakeholders. The first stakeholder panel in 2008 proved successful in providing feedback on the company's strategy and reporting practices. Upstream would suggest that the focus of future stakeholder panel meetings should support the implementation of the new strategy and should focus on specific issues (such as waste reduction) or stakeholder groups (such as suppliers).

**Reporting and Accountability:** PRUPIM should ensure that it defines ownership and accountability for the delivery of all targets and reporting on progress towards achieving these. Furthermore, the company should develop an internal reporting framework and tools to enable the Sustainability Operations Committee to review and monitor progress towards targets on a quarterly basis.

Finally, as the company navigates its way through one of the most challenging business environments in recent years, it will be increasingly important to identify and implement cost-effective sustainability initiatives that deliver savings for occupiers and returns for investors. The Improver Portfolio (described on page 17) is an innovative example of PRUPIM's progressive thinking and provides the company with an opportunity to investigate the link between sustainability and traditional property metrics such as investment returns, rental values, void rates, depreciation rates and operational cost savings. Understanding these linkages would firmly place PRUPIM as a leader in the sector, moving closer to its vision of influencing the property sector to create a sustainable built environment through innovation and thought leadership.



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# CONTACT US



We hope you have enjoyed reading PRUPIM's 2008 Sustainability Report. You can find more information on all aspects of Sustainability at PRUPIM on our website: [www.prupim.com](http://www.prupim.com)

If you have any comments or questions on our approach, performance or strategy, please contact us, or use the feedback form in the Sustainability section of [www.prupim.com](http://www.prupim.com)



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